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Message Text

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ACTION ITC-01

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02
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TO SECSTATE WASHDC 1727

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E.O. 11652: N/A
TAGS: EGEN, FR
SUBJECT: USITC REQUEST FOR INFORMATION ON GOVERNMENT OWNED FIRMS IN MARKET ECONOMY COUNTRIES

RE: STATE A-1249

1. GOF OWNERSHIP OF ENTERPRISES NORMALLY REGARDED AS IN PRIVATE SECTOR IS RELATIVELY EXTENSIVE BY WESTERN STANDARDS. MOST OF THESE HOLDINGS WERE ACQUIRED IMMEDIATELY AFTER WORLD WAR II WHEN THE SOCIALISTS AND COMMUNISTS BRIEFLY SHARED POWER IN FRANCE BUT MORE IMPORTANTLY WHEN PUBLIC OWNERSHIP WAS DEEMED NECESSARY TO FACILITATE POST-WAR RECONSTRUCTION. ALTHOUGH GOVERNMENT-OWNED ENTERPRISES HAVE ACQUIRED SUBSIDIARIES AND MINORITY PARTICIPATIONS SINCE THEN NO MAJOR NEW MOTHER COMPANIES HAVE BEEN ESTABLISHED OR NATIONALIZED SINCE 1971.

2. ALTHOUGH NOT DIRECTLY GERMANE TO USITC STUDY, IT IS WORTH NOTING THAT GOVERNMENTAL TINKERING WITH THE STRUCTURE AND POLICIES OF PRIVATELY OWNED COMPANIES THROUGH THE EXERCISE OF LICENSING POWERS, PUBLIC PROCUREMENT DECISIONS, AND FINANCIAL SUPPORT IS ALSO
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MORE PERVASIVE THAN IN MOST OTHER CAPITALIST COUNTRIES, INCLUDIG SOME UNDER SOCIAL DEMOCRATIC REGIMES. THIS BLURS THE DISTINCTION BETWEEN THE NATIONALIZED AND PRIVATE SECTORS. IT SHOULD ALSO BE NOTED THAT THE "UNITED LEFT" IN FRANCE IS COMMITTED TO A SUBSTANTIAL NEW ROUND OF NATIONALIZATIONS IN THE NOT UNLIKELY EVENT THAT THEY ACHIEVE POWER IN 1978.

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3. FRENCH LAW DIVIDES THE PUBLIC SECTOR PORTFOLIO OF HOLDINGS IN ENTERPRISES INTO TWO CATEGORIES (A) "NATIONAL ENTERPRISES OF AN INDUSTRIAL AND COMMERCIAL CHARACTER" AND (B) "NATIONAL INTEREST ENTERPRISES OF MIXED OWNERSHIP." THE GOF OWNS 100 PERCENT OF THE HOLDING OR MOTHER ENTERPRISES IN CATEGORY (A), THOUGH IMPORTANT SUBSIDIARIES AND AFFILIATES THEREOF MAY HAVE A SUBSTANTIAL AND EVEN CONTROLLING PRIVATE OWNERSHIP. THE GOF SHARE OF HOLDING OR MOTHER COMPANIES IN CATEGORY (B) MAY BE ANYWHERE FROM 30 TO 99.9 PERCENT. BEYOND THIS MATTER OF FULL VS. PARTIAL OWNERSHIP THERE IS LITTLE LOGICAL DISTINCTION BETWEEN THE TWO CATEGORIES EITHER BY THE NATURE OF THE ENTERPRISES OR THE DEPTH OF GOVERNMENT INTERVENTION AND SUPPORT. ALL ARE REGARDED AS EFFECTIVELY IN THE NATIONALIZED SECTOR BUT OPERATE WITH VARYING DEGREES OF AUTONOMY. FOR EXAMPLE, THE OIL COMPANY ELF-AQUITAINE (ALSO KNOWN AS ERAP) IS IN CATEGORY (A) WHILE THE OIL COMPANY CFP (ALSO KNOWN AS TOTAL) IS IN CATEGORY (B). RENAULT, WHICH MAKES CARS, IS IN CATEGORY (A) WHILE SNIAS, WHICH MAKES AIRPLANES, IS IN CATEGORY (B). ALL PUBLIC ENTERPRISES ARE ASSIGNED TO A DESIGNATED MINISTRY FOR CONTROL AND LIAISON REGARDLESS OF CATEGORY. AS A SWEEPING GENERALIZATION IT MIGHT BE SAID THAT ENTERPRISES IN CATEGORY (A) ARE LOOKED UPON TO A GREATER DEGREE AS INSTRUMENTS OF PUBLIC POLICY AND THUS ARE LESS CONCERNED WITH PROFIT AS THE PRIMARY LIMITED OFFICIAL USE

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GOAL, BUT THIS RULE IS ABURDANTLY PROVED BY EXCEPTIONS ON BOTH SIDES.

4. AS FAR AS WE CAN JUDGE FROM THE VOLUMIROUS BUT STILL INCOMPLETE SOURCE MATERIAL AT OUR DISPOSAL, THERE ARE ONLY NINE NATIONALIZED MOTHER COMPANIES IN FRANCE MEETING THE CRITERIA PRESCRIBED IN PARA 3 OF REFAIR. THESE ARE (IN ROUGH ORDER OF TURNOVER):

CFP - COMPAGNIE FRANCAISE DES PETROLES (PETROLEUM AND CHEMICALS)

REGIE NATIONAL DES USINES RENAULT (VEHICLES, PARTS, AND MACHINE TOOLS)

ERAP - ENTREPRISE DE RECHERCHES ET D'ACTIVITIES PETROLIERES (PETROLEUM AND CHEMICALS)

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CDF - CHARBONNAGES DE FRANCE (MINES AND IMPORTS COAL; EXPORTS CHEMICALS)

SNIAS - SOCIETE NATIONALE INDUSTRIELLE AEROSPATIALE (AIRFRAMES)

EMC - ENTERPRISE MINIERE ET CHIMIQUE (CHEMICALS)

SNECMA - SOCIETE NATIONALE D'ETUDE ET DE CONSTRUCTION DE MOTEURS D'AVIATION (AIRCRAFT ENGINES)

SEITA - SERVICE D'EXPLOITATION INDUSTRIELLE DES TABACS ET DES ALLUMETTES (CIGARETTES AND MATCHES)

SNPE - SOCIETE NATIONALE DES POUDRES ET EXPLOSIFS (EXPLOSIVES)

5. THE DATA ON THE NINE EXPORTING COMPANIES SUMMARIZED IN THE FOLLOWING TABLE HAVE BEEN GLEANED FROM PUBLISHED DATA ASSEMBLED FROM LOCAL SOURCES FOR THE PURPOSE. THEY INCLUDE CORPORATE ANNUAL REPORTS,
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FRENCH GOVERNMENT STUDIES AND ACCOUNTS, AND
MEDIA MATERIAL SUCH AS THE "FORTUNE" LISTING OF THE
LARGEST NON-US COMPANIES AND THE "FIGARO" SPECIAL
REPORT ON THE PERFORMANCE OF NATIONALIZED COMPANIES
IN COMPARISON WITH THEIR PRIVATE COMPETITORS. AS
OUR SUMMARY DOES NOT ATTEMPT TO ANSWER ALL QUESTIONS
POSED IN A-1249, WE HAVE POUCHED ALL OF OUR SOURCE
MATERIAL TO W.T. HART OF USITC.

ENTERPRISE	GROSS SALES ($1000)	GLOBAL PROFIT (OR LOSS) ($1000)	GOF PROD. EXPORTED (PERCENT)	OWNER-SHIP IN HOLDING CO. (PERCENT)
SEITA	540,519	109,278	N/A	100
ERAP (ELF AQUITAINE)	7,165,390	199,875	N/A	100
CHARBONNAGES DE FRANCE	2,225,720	(138,769)	N/A	100
RENAULT	7,831,330	(128,702)	59	100
SNIAS (AERO-SPATIALE	1,685,445	(113,816)	33	99
EMC	1,030,049	13,987	46	100

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SNECMA	616,181	10,578	42	84
SNPE	45,000	N/A	16	100
CFP	9,145,778	168,472		35

NOTE: ALL FIGURES RELATE TO LATEST YEAR AVAILABLE AND SHOULD BE USED WITH CAUTION BECAUSE OF ANOMALIES IN DEFINITIONS AND EXCHANGE RATES.

6. IT IS DIFFICULT TO GENERALIZE ON THE IMPACT OF GOVERNMENT OWNERSHIP ON THE INTERNATIONAL COMPETITIVE POSITION OF THE ABOVE LISTED FRENCH NATIONALIZED ENTERPRISES. IN MOST CASES THE COMPLEX RELATIONSHIP BETWEEN HOLDING COMPANIES AND SUBSIDIARIES AND THE PARTICIPATION OF PRIVATE SHAREHOLDERS IN THE LATTER POSE FORMIDABLE PROBLEMS OF DEFINITION. SOME OPERATE AT A PROFIT AND THUS ARE NOT SUBSIDIZED. THOSE WHICH CONSISTENTLY LOSE MONEY MAY DO SO BECAUSE OF GOVERNMENT INSTRUCTIONS BASED ON POLITICAL OR

SOCIAL, RATHER THAN ECONOMIC GROUNDS AND THE SUBSIDIES MAY NOT DIRECTLY BENEFIT THEIR EXPORT PROGRAMS. TWO OF THE EIGHT EXPORTING COMPANIES (SEITA AND SNPE) BENEFIT FROM A MONOPOLITISTIC POSITIONIN THE HOME MARKET WHILE THE OTHERS HAVE STRONG PRIVATE DOMESTIC COMPETITION. IN THESE LATTER CASES WE HAVE SEEN NO SIGNIFICANT EVIDENCE THAT THE VARIOUS GOF EXPORT SUPPORT AND INCENTIVE PROGRAMS HAVE BEEN APPLIED MORE GENEROUSLY TO THE NATIONALIZED ENTITIES THAN TO THE PRIVATE ONES.

7. WE ARE ALSO PREPARING A SEPARATE VOLUNTARY ANALYSIS OF THE FRENCH NATIONALIZED SECTOR FOR OTHER PURPOSES WHICH SHOULD BE COMPLETED WITHIN A FEW MONTHS AND WILL INCLUDE USITC AS AN ADDRESSEE.
HARLAN

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